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Unemployment Surpassed 3 Million in December

¶1. (U) The number of registered unemployed rose to 3.1 million in December, according to the Ministry of Labor and Immigration. This is almost exactly one million above the level of December 2007 and a 50 percent increase for the year. Spain has the highest unemployment rate in the EU, with Eurostat estimates showing a 13.4 percent rate for the month of November. The fourth quarter unemployment rate is expected to be released by the GOS around January 23. In a radio interview January 8, Minister of Labor Corbacho opined that unemployment would likely continue to increase in the upcoming months, although not to the 4 million estimate that many are projecting. (Europa Press, 1/8; Expansion, 1/8)

December Inflation Falls to 1.5 Percent

¶2. (U) Preliminary EU-harmonized estimates indicate that Spain's December inflation rate (December 2008 prices compared to the December 2007 level) fell to 1.5 percent, a rate significantly lower than the over 5 percent registered last summer. The decrease in inflation will mean that a general labor contract clause covering about 9 million workers that mandates an annual salary adjustment if inflation reaches certain rates will not be triggered. (INE press release, 1/5; El País, 1/6)

Albacete and Toledo Savings Banks to Merge

¶3. (U) Two small Castilla-La Mancha savings banks ("cajas"), Caja Rural de Albacete and Caja Rural de Toledo, announced on January 8 that they would merge. The new caja will have over 1,000 employees and 263 offices in 6 provinces in central and southern Spain. Comment: The general expectation is that the economic crisis will lead to additional mergers, many of which are small and heavily exposed to troubled construction and real estate companies. (ABC, 1/8; Expansion, 1/9).

Hotel Owner in Galicia is First Convicted of Cable TV Piracy

¶14. (U) A court in Pontevedra, Galicia has convicted a hotel owner of IPR piracy for distributing the signal of cable channel Digital Plus to all of his guests without the required "collective contract," according to local media. In Spain's first conviction for this type of IPR piracy, the hotelier was sentenced to six months in prison and a fine of 20,000 euros. Sogecable, the cable operator that owns Digital Plus, has filed criminal complaints against 24 hotels for similar signal theft, but this is the first case that has resulted in a conviction and sentence. Convictions and especially prison sentences for IPR crimes have been relatively rare in Spain. (El Pais, 1/8)

Car Production and Sales Plunge

¶15. (U) Auto production decreased by 12 percent in 2008 from the year before amidst plunging sales, and industry estimates suggest that production will decrease in 2009 by another 13 percent. According to the auto and truck manufacturers association AFNAC, car sales in Spain fell by 28 percent in **¶2008**. The year-on-year percentage declines were even greater in the last few months. Auto exports have also decreased, with France and Germany being key markets for Spain. Auto manufacturing is an important industry for the country, with 70,000 direct employees and another 200,000 indirectly employed by the sector. Automakers such as Ford and GM have announced job and production cuts in Spain in recent months. (Expansion, 1/9; El Pais, 1/5; ANFAC website)

Highway Deaths Down Significantly

¶16. (U) According to the Ministry of Interior, traffic-related
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deaths on Spain's highways dropped by 20 percent in 2008 from the year before, reaching the lowest level since 1964. This is the fifth consecutive decrease and results from more stringent speeding and traffic laws and aggressive GOS enforcement actions. MOI's 2003-2008 strategic plan envisioned a 40 percent decrease in road deaths, a goal that the GOS has surpassed. In 2008, there were 2,181 highway accident-related deaths, a drop of 1,848 (46 percent) since **¶2003**. (Ministry of Interior press release, 1/5)
CHACON